

BEFORE THE TENNESSEE STATE BOARD OF EQUALIZATION

IN RE: Jim Adams)
Map 26G, Group A, Control Map 26G, Parcel 11.00) Hamblen County
Commercial Property)
Tax Year 2006)

INITIAL DECISION AND ORDER

Statement of the Case

The subject property is presently valued as follows:

<u>LAND VALUE</u>	<u>IMPROVEMENT VALUE</u>	<u>TOTAL VALUE</u>	<u>ASSESSMENT</u>
\$230,700	\$62,300	\$293,000	\$117,200

An appeal has been filed on behalf of the property owner with the State Board of Equalization. The undersigned administrative judge conducted a hearing in this matter on October 30, 2006 in Morristown, Tennessee. In attendance at the hearing were Jim Adams, the appellant, Hamblen County Property Assessor Keith Ely, and S. David Briton, a State Certified General Real Estate Appraiser.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

Subject property consists of a 6.06 acre site located at the intersection of East Morris Boulevard and Bethesda Road in Morristown, Tennessee. The primary improvement on subject site was a concrete block manufacturing building originally constructed in 1975. A fire in January of 2006 caused extensive damage. The only improvements presently on the site with contributory value are a 720 square foot office area with a covered front porch and a 1,012 square foot metal shed.

The taxpayer purchased subject property at auction on April 21, 2006 for \$68,750. Although the taxpayer indicated on his appeal form that he believed his purchase price reflected market value, he effectively abandoned that claim at the hearing as will be discussed below.

The taxpayer contended that subject property should be valued at \$138,000 - \$163,000. In support of this position, the taxpayer argued that the current appraisal of subject land does not achieve equalization given the fact the adjoining 11 acre tract is appraised at only \$46,800. The taxpayer maintained subject site should be appraised at \$125,000 - \$150,000. With respect to subject improvements, the taxpayer stated that in his opinion a value of \$13,000 appeared reasonable.

The assessor contended that subject property should be valued at \$280,588. In support of this position, Mr. Britton's testimony and appraisal report were introduced into

evidence. Mr. Britton relied on the cost approach and concluded that subject property should be valued as follows:

Land Value	\$242,000
Block Building	\$ 13,216
Covered Porch	\$ 2,948
Metal Shed	\$ 12,393
Site Improvements	\$ 10,000

The basis of valuation as stated in Tennessee Code Annotated Section 67-5-601(a) is that "[t]he value of all property shall be ascertained from the evidence of its sound, intrinsic and immediate value, for purposes of sale between a willing seller and a willing buyer without consideration of speculative values . . ."

The administrative judge finds that the primary value of subject property is in the land. The administrative judge finds that the nine (9) sales analyzed by Mr. Britton constitute the best evidence of land value. Accordingly, the administrative judge finds that subject site should remain valued at \$230,700.¹

With respect to subject improvements, the administrative judge finds that Mr. Adams' opinion of value should receive greatest weight.

The administrative judge finds that Mr. Britton depreciated the block building, covered porch and metal shed by only 35%. Respectfully, the administrative judge finds additional depreciation warranted given the extent of the fire damage. The administrative judge finds Mr. Adams' opinion of value appears to better account for both clean-up and demolition costs. Indeed, a prospective buyer of subject property might very well raze the existing improvements.

The administrative judge finds that Mr. Adams equalization argument must be rejected for two reasons. First, as explained by Administrative Judge Pete Loesch in *William J. & Bethany J. Whitson* (Davidson Co., Tax Year 2005):

Historically, the State Board has adhered to a market value standard in the review of property assessments. See Appeals of Laurel Hills Apartments, et al. (Davidson County, Tax Years 1981 and 1982, Final Decision and Order, April 10, 1984). Under this theory, an owner of property is entitled to "equalization" of its demonstrated market value by a ratio which reflects the overall level of appraisal in the jurisdiction for the tax year in controversy. But this agency has repeatedly refused to accept the **appraised** values of purportedly comparable properties as sufficient proof of the **market** value of a property under appeal. In the Appeal of *Stella L. Swope* (Davidson County, Tax Years 1993 and 1994, Final Decision and Order, December 7, 1995), the Commission reasoned as follows:

The assessor's recorded values for other properties may suffer from errors just as Ms. Swope has alleged for her assessment,

¹ The administrative judge finds it inappropriate to adopt Mr. Britton's somewhat higher land value insofar as it differs from the current land appraisal by only 4.7%. Moreover, the likelihood of demolition costs would presumably result in a reduced sale price.

and therefore the recorded values cannot be assumed to prove market value.

Id. at p.2.

Second, the administrative judge finds that even if such an equalization argument could be considered, Mr. Ely’s unrefuted testimony supports the significantly lower appraisal of the adjoining tract. According to Mr. Ely, the easements on the adjoining tract are so extensive that the property is effectively unusable as a building site. In contrast, the easements on subject tract are not nearly as extensive and do not render it unbuildable.

ORDER

It is therefore ORDERED that the following value and assessment be adopted for tax year 2006:

<u>LAND VALUE</u>	<u>IMPROVEMENT VALUE</u>	<u>TOTAL VALUE</u>	<u>ASSESSMENT</u>
\$230,700	\$13,000	\$243,700	\$97,480


It is FURTHER ORDERED that any applicable hearing costs be assessed pursuant to Tenn. Code Ann. § 67-5-1501(d) and State Board of Equalization Rule 0600-1-.17.

Pursuant to the Uniform Administrative Procedures Act, Tenn. Code Ann. §§ 4-5-301—325, Tenn. Code Ann. § 67-5-1501, and the Rules of Contested Case Procedure of the State Board of Equalization, the parties are advised of the following remedies:

1. A party may appeal this decision and order to the Assessment Appeals Commission pursuant to Tenn. Code Ann. § 67-5-1501 and Rule 0600-1-.12 of the Contested Case Procedures of the State Board of Equalization. Tennessee Code Annotated § 67-5-1501(c) provides that an appeal **“must be filed within thirty (30) days from the date the initial decision is sent.”** Rule 0600-1-.12 of the Contested Case Procedures of the State Board of Equalization provides that the appeal be filed with the Executive Secretary of the State Board and that the appeal **“identify the allegedly erroneous finding(s) of fact and/or conclusion(s) of law in the initial order”**; or
2. A party may petition for reconsideration of this decision and order pursuant to Tenn. Code Ann. § 4-5-317 within fifteen (15) days of the entry of the order. The petition for reconsideration must state the specific grounds upon which relief is requested. The filing of a petition for reconsideration is not a prerequisite for seeking administrative or judicial review; or
3. A party may petition for a stay of effectiveness of this decision and order pursuant to Tenn. Code Ann. § 4-5-316 within seven (7) days of the entry of the order.

This order does not become final until an official certificate is issued by the Assessment Appeals Commission. Official certificates are normally issued seventy-five (75) days after the entry of the initial decision and order if no party has appealed.

ENTERED this 8th day of November, 2006.



MARK J. MINSKY
ADMINISTRATIVE JUDGE
TENNESSEE DEPARTMENT OF STATE
ADMINISTRATIVE PROCEDURES DIVISION

c: Mr. Jim Adams
Keith Ely, Assessor of Property